
State:	California	Filing Company:	California FAIR Plan Association
TOI/Sub-TOI:	01.0 Property/01.0002 Personal Property (Fire and Allied Lines)		
Product Name:	Dwelling Fire		
Project Name/Number:	Rate/Rule Revision/CAFP-PP-DW-CA-1801R		

Ed,

As you know, the FAIR Plan agreed to the CDI's 6.8% rate reduction driven by non-wildfire rate decreases (CDI filing 17-1258), on the condition that the FAIR Plan immediately submit a subsequent rate filing that reviewed and addressed wildfire and overall rate soundness. The CDI promised to expedite the subsequent rate filing to limit the time that the FAIR Plan's overall rates remained inadequate. We submitted the subsequent filing April 17, 2018 (CDI filing 18-2336), confirming that the overall rate level is not actuarially sound, with an indicated rate increase of 25.9%, driven by inadequate wildfire rates.

Oct 26, 2018 FAIR Plan submitted a response to the fourth round of questions regarding the wildfire model estimates. In particular the model review team questioned whether updating the roof type and age assumptions from those assigned by the model, data the FAIR Plan does not currently collect from policyholders, would change the aggregate model results used in the indication. With all the fires around the state burning cities to the ground, it is apparent that updating the roof age and type assumptions is not going to impact the path of the raging wildfire, nor the aggregate damage of the model. Since the FAIR Plan is not proposing to take the full actuarially sound wildfire rate at this time to avoid creating affordability issues, it isn't necessary for the model review team to concentrate on improving the accuracy of secondary components at the individual property level, or quantifying the full extent of the industry's wildfire trend which was another question from the model review team. I am pleading that the CDI try its best to be responsive to the wildfire rate increase request by concentrating on the important high level issue of inadequate wildfire rates that are presenting a threat to the FAIR Plan's ability to collect sufficient premium and maintain adequate liquid capital to be able to respond in a timely manner to these horrible fires burning whole communities down, indiscriminately.

Because the fire trends are clearly increasing, and the CDI has asked several questions regarding quantifying this trend, after the FAIR Plan's filing is closed, I would be happy to perform a study with the CDI using aggregated industry wildfire data collected by a CDI data call. This trend analysis could also identify the relative risk based on geospatial analysis and provide maps of relativities and recommended actions to reduce and manage the risk of wildfire. Since this would be done using industry level data that is more credible than the limited data available to each individual insurance company, we could also look at the impact from type and age of roof if the CDI felt that was important. Although many CA insurance companies do not collect information about type and age of roof, I could look into whether we could purchase this type of data from a third party to add to the CDI's industry data call or work with modeling companies to vary the assumptions to determine the impact of these secondary variables. The CDI could use the study results when reviewing rate filings to help quantify the trends. After the FAIR Plan's filing is closed, I am happy to help the CDI perform an industry level wildfire study that meets the CDI's needs.

In the interest of getting the FAIR Plan's rates to a responsible level as quickly as reasonable, please let me know if there is anything else that I have the ability to provide that will help the CDI complete its review of the FAIR Plan's rate filing.

Sheri